

Memorandum

To: Panel Members Date: April 24, 2003

From: Diana Torres, Manager
Peter DeMauro, General Counsel Analyst: J. Davey

Subject: One-Step Agreement for **Prometheus Laboratories, Inc.**
(www.prometheuslabs.com)

CONTRACTOR:

- Training Project Profile: Retraining: Companies with Out-of-State Competition
- Legislative Priorities: Moving to a High Performance Workplace
- Type of Industry: Services
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 250
 - In California: 170
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$67,600
- Substantial Contribution: \$0
- Total ETP Funding: \$67,600
- In-Kind Contribution: \$133,068
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Diego
- Duration of Agreement: 24 Months

SUBCONTRACTORS:

To be determined.

THIRD PARTY SERVICES:

Thomas D. Bright assisted with the Application, other application requirements. The amount reimbursed for these services was \$1,200, at a rate of \$120.00 per hour.

NARRATIVE:

Title 22, California Code of Regulations, Section 4416(a)(3,4), Out-of-State Competition, states in part that “a company is deemed to meet the out-of-state competition requirement for purposes of Panel funding if that company provides a service out-of-state and/or provides the service in the state in competition with providers of the same service which are located outside the state.” Prometheus Laboratories, Inc., provides pharmaceutical products and services both outside and within California and competes with other out-of-state companies for those services. Therefore, Prometheus Laboratories, Inc., meets the definition of having out-of-state competition.

Prometheus Laboratories, Inc., is a specialty pharmaceutical company that focuses on treating diseases and disorders associated with the gastrointestinal tract, as well as autoimmune and inflammatory diseases such as rheumatoid arthritis. Headquartered in San Diego, the company was established in 1995 by Scott Glenn, Dr. Stephen Targan, and Dr. Jonathan Braun, and employs 250 people worldwide, 170 in California. The company markets and delivers proprietary, diagnostic testing services that complement its pharmaceutical products. The company owns the rights to produce and sell drugs to treat these diseases, as well as the diagnostic testing and monitoring services to assist doctors in administering a course of therapy. By integrating these therapeutic, diagnostic, and treatment monitoring services, Prometheus addresses a broad continuum of care, in order to provide physicians with assistance in treating these specific chronic diseases. Prometheus serves the needs of large and diverse customers, mostly doctors, hospitals and laboratories, approximately 80 percent of which are outside the state of California. As a global provider of services and products, Prometheus is in competition with companies such as Quest Laboratories and TAP Pharmaceuticals, both of which are headquartered outside of California.

Prometheus representatives state that its current business model is designed to develop new ways of personalizing patient care by integrating diagnostics and therapeutics. Its business model is unique among traditional pharmaceutical companies and consists of: 1.) Diagnostic Testing: a patient’s specific condition is diagnosed through blood testing or other methods; 2.) Treatment Testing: the proper patient-specific therapy is identified; 3.) Therapy: drug therapy implemented; and 4.) Monitoring: on-going monitoring of the patient’s response to therapy. The company reports its goal is to continue to evolve this model, providing the information and tools necessary to treat patients from diagnosis to treatment to response monitoring. By advancing this paradigm, Prometheus expects to help physicians increase the quality, speed, and cost efficiency of patient care.

To continue to meet customer needs and lead the marketplace, the company has identified the need to continually add new products such as FIBROSpect, a new non-invasive liver fibrosis test. In addition, Prometheus is expanding at a rate of 15 percent per year and expects to continue at that same rate. Thus, it considers itself to be one of the fastest growing biotechnology companies in the United States (U.S.).

NARRATIVE (continued):

To accommodate new product lines and services, as well as to accommodate its growth, Prometheus has added additional job functions and expanded the duties and responsibilities of existing jobs.

Therefore, Prometheus must establish and maintain a skilled and proficient workforce to address the advancements in the medical field, changes in healthcare, and growth of the company. These challenges will be met through improving work processes and internal communications, reducing costs and employee turnover, introducing new and customer-valued products and satisfying an ever growing and diverse customer base. To meet these goals Prometheus believes it must become a high-performance workplace.

Recently, a comprehensive, company-wide training needs assessment was conducted to identify specific types of training to meet Prometheus's strategic goal of becoming a high performance company. The results of the assessment indicated that Analysts, Office Staff, Commercial Sales, Client Service Representatives, Technicians, Programmers, Specialists, Scientists and Warehouse employees need Continuous Improvement Skills, such as Communication Skills, Process Improvement and Internal Customer Satisfaction.

The Prometheus curriculum directly reflects the results of the needs assessment. Each Prometheus trainee will be given an individualized training track to meet his or her specific needs. In addition to Continuous Improvement training, selected employees must develop Computer Skills. As job duties have evolved, employees who were not called upon to use spreadsheets or produce reports, now must have the ability to accomplish those tasks. Line level employees now are being asked to give presentations or to share data as part of their job responsibilities. Also, many individuals who are using the computer are wasting time because of an inability to make use of the software's full capability.

Upon the successful completion of an ETP-funded training program, Prometheus expects to meet a number of specific goals: increased productivity, enhanced communication, improved work processes, more effective project management, more flexibility in responding to change, and higher employee job satisfaction. Prometheus further expects that improved communication and increased employee skills will contribute to organizational growth and a competitive advantage. Lastly, the benefits of ETP-funded training are expected to extend to all levels of the company where job performance will improve and facilitate Prometheus' evolution to a High Performance Workplace.

Prometheus is seeking ETP funding because it does not have the resources required to provide the skill development efforts needed to move to the next level of performance. With ETP funding, the company expects to improve the job performance of all employees and continue its journey to becoming a high performance company.

Supplemental Nature of Training

Recent company training has consisted of departmental procedural training, on-the-job technical training, safety training, regulatory and environmental training, new employee orientation, logic training, product training, and Pros (company software) training. Pros is a customized accounting and test accessing software that billing and other staff use to track orders, tests, and other relevant client/patient data. The proposed ETP-funded training will not duplicate or displace this training and will be conducted in teams so all employees share the same experience and knowledge.

NARRATIVE (continued):

Prometheus has stated that it is committed to an on-going investment in training. During the 24-month period following the completion of the ETP-funded training, the company will continue to provide the above training to all its employees. The ETP-funded training is expected to establish a foundation on which to build training into new-employee orientation and conduct “refresher” training as needed. The total projected amount for company-funded training is approximately \$200,000 per year.

In-Kind Contribution

Prometheus’ in-kind contribution, consisting of the estimated wages of employees paid during training, will be approximately \$133,068.

COMMENTS:

Frontline Workers

One hundred eleven (111) retrainees in this proposal are frontline workers, as defined under Title 22, California Code of Regulations, Section 4400(ee). The remaining nineteen (19) retrainees in this proposal are identified as Managers and Supervisors and represent 14.6 percent of the trainees.

PROPOSED ACTION:

Staff recommends that the Panel approve the One-Step Agreement, if funding is available, based on the stated need of Prometheus Laboratories, Inc., to provide employees with the skills needed to improve communication, productivity, and efficiency while moving toward a high performance work environment.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job 1/ Retrainee	Computer Skills, Continuous Improvement Skills	130	40	0	0	\$520	\$11.21 - \$69.30
					<u>Range of Hourly Wages</u>		
					\$11.21 - \$69.30		
					<u>Prevalent Hourly Wage</u>		
					\$22.78		
					<u>Average Cost per Trainee</u>		
					\$520		
<u>Health Benefit used to meet ETP minimum wage:</u>					<u>Turnover Rate</u>		<u>% of Mgrs & Supervisors to be trained:</u>
Although the company pays health benefits for its employees, the hourly contribution is not being used to meet ETP minimum wage requirements.					15%		14.6%

CURRICULUM

Class/Lab Hours

Trainees will receive any of the following:

Job 1: 40 hours

Continuous Improvement Skills

- Behavioral Interviewing
- Achieving High Performance
- Meeting Management
- Communication Tools
- Leadership
- Development Planning
- Adapting to Change
- Project Management
- Internal Customer Satisfaction
- Process Improvement
- Team Building

Computer Skills

- Microsoft Excel
- Microsoft Access
- Microsoft Word
- Microsoft Power Point
- Microsoft Outlook